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Message Text

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64
ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /169 W
---------- 009985
R 031737Z SEP 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4791
INFO USMISSION EC BRUSSELS
USMISSION OECD PARIS

UNCLAS BONN 13921

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: REMOVAL OF BARDEPOT AND AMENDMENT TO
GERMAN BANKING LAW

1. IN A SEPTEMBER 3 PRESS CONFERENCE FINANCE MINISTER APEL STATED THAT AT THE NEXT MEETING OF THE FRG CABINET ON SEPTEMBER 11 HE WOULD PROPOSE THE FINAL REMOVAL OF THE 20 PERCENT BARDEPOT. ACCORDING TO APEL, THE DANGER OF UNDESIRED MONEY INFLOWS FROM ABROAD DOES NO LONGER EXIST. "THE RUN ON THE DEUTSCHEMARK HAS COME TO AN END SINCE INVESTORS GET HIGHER INTEREST RATES ABROAD." APEL CONTINUED THAT THE BARDEPOT COULD BE REINTRODUCED AT ANY TIME, IF NECESSARY.

2. IN THE SAME PRESS CONFERENCE APEL ANNOUNCED PROPOSALS FOR AN IMMEDIATE AMENDMENT OF THE GERMAN BANKING LAW. THESE PROPOSALS SHOULD BE PRESENTED TO PARLIAMENT FOR APPROVAL NEXT MONTH. THE PROPOSALS
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PROVIDE FOR CHANGES OF THE CURRENT LAW IN 15 POINTS

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INCLUDING THE FOLLOWING:

A) TERMINATION OF THE GRANTING OF NEW PRIVATE BANKERS LICENSES TO NATURAL PERSONS;

B) LIMITATION OF A SINGLE CREDIT GRANTED BY AN INDIVIDUAL BANK TO 50 PERCENT OF ITS CAPITALIZATION;

C) INTRODUCTION OF THE RIGHT OF THE BANKING SUPERVISORY AUTHORITY TO MAKE REGULAR AUDITS OF BANKS;

D) INTRODUCTION OF A REPORTING REQUIREMENT FOR NON-BANK TRANSACTIONS OF BANKS (AS FORWARD TRANSACTIONS IN GOODS AND INSURANCE TRANSACTIONS);

E) INTRODUCTION OF AN OBLIGATORY DEPOSIT INSURANCE FOR GERMAN COMMERCIAL BANKS, SAVINGS BANKS, AND COOPERATIVE BANKS. SUCH INSURANCE SHOULD COVER DEPOSITS OF UP TO DM 500,000.

2. THE MINISTRY FEELS THAT APPROVAL FROM THE BANKING COMMUNITY AND PARLIAMENT FOR MOST OF THE PROPOSALS COULD BE ACHIEVED WITHOUT DIFFICULTY; THE PROPOSALS FOR THE INSURANCE SCHEME MIGHT REQUIRE CONSIDERABLE DISCUSSION BETWEEN THE BANKS AND PARLIAMENT.

3. AS RECOMMENDED BY APEL, A GROUP OF ABOUT 12 EXPERTS FROM GOVERNMENT, THE BANKING COMMUNITY AND LABOR AND MANAGEMENT SHOULD EXAMINE PROBLEMS INHERENT IN THE CHARACTER OF GERMAN BANKS, BANK INVOLVEMENT IN INDUSTRY AND PROXY RIGHTS OF BANKS (FOR SECURITY DEPOSITS OF BANK CUSTOMERS), AND EXAMINE WHETHER THERE IS NEED FOR BASIC CHANGES IN THE GERMAN BANKING SYSTEM ITSELF. (INTERESTING ENOUGH THE BUNDESBANK WAS NOT MENTIONED.)
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, PRESS CONFERENCES, MEETINGS, AMENDMENTS, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN13921
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740243-1033
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740980/aaaacqab.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUN 2002 by maustmc>; APPROVED <27 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REMOVAL OF BARDEPOT AND AMENDMENT TO GERMAN BANKING LAW
TAGS: EFIN, GE, (APEL)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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